



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	08/18/03	Bill No:	SB 1059
Tax:	Property	Author:	Senate Committee on Revenue and Taxation
Board Position:		Related Bills:	SB 1062 (SR&T) SB 2086 (2002)

BILL SUMMARY

This California Assessors' Association sponsored omnibus property tax bill would:

- Update the timeframe when a notice of bulk sale must include a completed business property statement to conform to changes in the lien date and business property statement filing periods. *Commercial Code §6105*
- Authorize a board of supervisors to require local agencies that approve tentative maps to provide a copy of the maps to the assessor. *§72*
- Related to the historical aircraft exemption:
 - Require taxpayers claiming the exemption to provide certificates of attendance indicating public display of the aircraft at least 12 days annually. *§220.5*
 - Allow an 80% partial exemption for claims filed after the February 15 deadline but before August 1. *§276.5*
- Related to cemeteries:
 - Establish simplified annual filing for certain nonprofit cemeteries via the return of a postcard. *§256.6*
 - Eliminate the need to file a claim to receive the cemetery exemption for certain pioneer cemeteries in the unincorporated area of the county where the assessor is unable to identify a legal cemetery authority to file the claim. Also allows the cancellation of any taxes, penalties, or interest on such cemeteries. *§256.7*
- Delete a requirement that a specific employee's name be listed as a contact person on a Notice of Proposed Escape Assessment. *§531.8*
- Allow escape assessments to be noted on the roll for the current assessment year as either a notation on the physical document or an electronic copy. *§533*

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- Modify language referencing the cancellation of assessments by the county board of equalization. §1610.8

Summary of Amendments

The amendments to this bill since the previous analysis: (1) require local agencies rather than property owners to provide copies of tentative maps to the assessor §72; (2) delete the amendment to increase the minimum amount of damage necessary to receive property tax deferral from \$5,000 to \$10,000, in conformance with Section 170 which is included in SB 1062 §194; (3) eliminate annual filing requirements for certain pioneer cemeteries §256.7; and (4) modify language referencing the cancellation of assessments by the county board of equalization previously enacted by SB 1063 (Ch. 199) §1610.8

ANALYSIS

Bulk Sales

Commercial Code Section 6105

Current Law

Existing law requires that a completed business property statement must accompany a notice of bulk sale that is filed between March 1 and the last Friday in May.

Proposed Law

This bill would amend Section 6105 of the Commercial Code to change the period of time during which a completed business property statement must accompany a notice of a bulk sale to those notices filed between January 1 and May 7.

Comments

1. **Purpose.** This bill would update the dates specified in the code to conform to changes in the lien date (from March 1 to January 1) and last day to file the business property statement (from the last Friday in May to May 7).
2. **Key Amendments.** The **June 30** amendment changed the last day of the period to file a business property statement with a notice of bulk sale from May 31 to May 7. The last day to file a business property statement without penalty is May 7 whereas May 31 is the last day to amend a timely filed business property statement.

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Tentative Maps
Revenue and Taxation Code Section 72

Current Law

Under existing law when a parcel is split the assessor must allocate the assessed value of that property among the new parcels created.

Proposed Law

This bill would amend Section 72 of the Revenue and Taxation Code to authorize board of supervisors to adopt an ordinance that requires the local agency that approves a set of tentative maps to provide a copy of these maps to the assessor as soon as possible after the maps are filed.

Comments

1. **Purpose.** According to the sponsor, when a large parcel is split into one or more parcels it can be difficult to determine where existing improvements on the property are located in order to assign the improvements to the proper new parcel number and obtaining copies of these maps would aid in that process.
2. **Key Amendments.** The **August 18** amendment requires that the local agency approving the map file a copy with the assessor rather than requiring the property owner to submit the maps. This amendment reflects negotiations with the California Land Surveyor's Association.
3. **The phrase “tentative maps” is not clear as to the type of the maps this bill is intended to address.** The sponsor may want to further define the phrase “tentative maps” to more clearly indicate that it relates to a map of a proposed split of a pre-existing parcel or place the provision in an area of law where such tentative maps are required and/or referenced. The section of code proposed to be amended, Section 72, relates to transmittal of building permits and building plans. Section 327.1, which was added to the code last year and also sponsored by the California Assessors' Association, authorizes a county board of supervisors to adopt an ordinance requiring a copy of a recorded digital subdivision map to be filed with the county assessor. This may be a more appropriate location for this provision. Would tentative maps that are not approved also be required to be filed with the assessor? As currently drafted, the language states maps are to be submitted as soon as they are filed.

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Historical Aircraft
Revenue and Taxation Code Sections 220.5 and 276.5

Current Law

Revenue and Taxation Code Section 220.5 provides a property tax exemption for aircraft of historical significance. A one-time fee of \$35 is imposed with the initial application for exemption. Thereafter, Section 255 requires that persons re-file for the exemption each year by February 15. To qualify for the exemption the aircraft must be displayed to the public at least 12 days during the year.

If a person misses the filing deadline, the exemption is not available for that year. (Article XIII, Section 6 of the California Constitution and Section 260 provide that failure to claim an exemption is a waiver of the exemption for that year.)

Proposed Law

This bill would amend Section 220.5 to specify that persons claiming the exemption attach a certificate of attendance from the coordinator of the event at which the aircraft was displayed.

This bill would also add Section 276.5 to allow a partial exemption of 80% for claims for the aircraft of historical significance exemption filed after February 15 but on or before August 1.

Comments

1. **Purpose.** The historical aircraft exemption was created in 1987 (Stats. 1987, Ch. 267, SB 95). The enacting legislation made no specific provisions for the general administration of the exemption and, therefore, did not provide for late filing. The following year, the Board sponsored legislation (Stats. 1988, Ch. 1271, AB 2878) to provide basic administrative provisions for the new exemption. Specifically, Section 254 was amended to require an annual claim form, Section 255 was amended to specify a filing deadline of April 1, and Section 259.11 was added to specify that the claim provide information that both the owner and the aircraft qualify for the exemption. Late filing was not included in this follow-up legislation. Documents related to this Board-sponsored legislation do not indicate whether or not late filing was considered. Los Angeles County indicates that 2 to 3 taxpayers miss the current deadline each year. The sponsors note that most other exemptions have late filing provisions and believe that the lack of a partial exemption for claims filed after the deadline is an oversight that should be corrected. The purpose of the amendments to Section 220.5 is to statutorily require documentation to substantiate 12 days of public display.
2. **Key Amendments.** The **June 30** amendment restores the provisions allowing a partial exemption for late filed claims. The **April 21** amendment had deleted the

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provision to add Section 276.5 to the Revenue and Taxation Code to allow a partial exemption of 80% for claims for the aircraft of historical significance exemption filed after February 15 but on or before August 1. This provision had been included in the bill as introduced, but temporarily deleted over a concern that it would expand the exemption.

3. **Related Legislation.** Similar late-filing provisions were previously contained in SB 2086 (Senate Revenue and Taxation) of the 2001-02 Legislative year but were inadvertently chaptered out.
4. **Suggested Amendment.** Public aircraft show events are generally weekend events. Because it may take multiple events to reach the 12-day threshold, the following language is suggested.

When applying for an exemption pursuant to this section, the claimant shall attach to that application a certificates of attendance from the event coordinators of the event at which the aircraft was on displayed sufficient to attain the minimum number of days on display as required by this paragraph.

5. **Delay Operative Date.** The sponsors may wish to consider delaying the operative date of the Section 220.5 provisions to January 1, 2005. Since this new requirement would be effective on January 1, 2004, documentation for participation in events held in the 2003 year would be required to be submitted with the February 15, 2004 claim, but historical aircraft owners would not have known to obtain attendance certificates during the 2003 calendar year.

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Nonprofit Cemetery Exemption
Revenue and Taxation Code Section 256.6 and 256.7

Current Law

Under existing law, Article XIII, Section 3(g) of the Constitution and Revenue and Taxation Code Section 204 provide for a property tax exemption of nonprofit cemeteries. The cemetery exemption is available on property used or held exclusively for the burial or other permanent deposit of the human dead and property used or held exclusively for the care, maintenance or upkeep of such property or such dead, except any such property that is used or held for profit.

Current law requires that a property qualifying for the cemetery exemption must have a new exemption claim filed on the property every year by February 15.

Proposed Law

This bill would add Section 256.6 to the Revenue and Taxation Code to simplify the process for filing the cemetery exemption claim form each year. Rather than re-filing a full claim each year, the cemetery operator would return a postcard sent by the assessor to renew the exemption for the following year.

The assessor would send the notice by January 1 and the cemetery operator would return the card by February 15, indicating that the property continues to be used for cemetery purposes.

In addition, this bill would add Section 256.7 to the Revenue and Taxation Code to provide that when the assessor can not identify a legal cemetery authority to file an exemption claim on certain types of cemeteries, as defined, a claim form is not required. In addition, if there are any taxes, penalty, or interest imposed on such cemeteries, they may be canceled as erroneously levied or charged.

Cemeteries qualifying for this section are limited to cemeteries in use prior to the year 1900 which are no longer used for current or future interments.

Background

Other exemptions where simplified annual re-filing is available include:

Welfare Exemption. Revenue and Taxation Code Section 254.5 provides simplified annual re-filing for property eligible for exemption pursuant to Section 214.15, which provides the welfare exemption to land holdings for the future construction of homes for sale to low-income persons, and also Section 231, which provides the welfare exemption for property owned by a nonprofit organization and leased to a governmental agency.

Religious Exemption. Revenue and Taxation Code Section 257.1 provides simplified annual re-filing for property eligible for the religious exemption.

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Comments

1. **Purpose.** Since property used for cemetery purposes rarely changes, this provision is intended to reduce the annual paperwork for both non-profit cemeteries and assessors' offices to renew the cemetery exemption. Additionally, this provision is intended to address the situation of certain historic cemeteries, that are otherwise eligible for exemption under the cemetery exemption, but have none the less been sold for tax delinquency because no one has filed a claim on the cemetery.
2. **Amendments.** The **August 18** amendment adds new Section 256.7 to the Revenue and Taxation Code. This amendment was taken at the request of California Saving Graves, a nonprofit organization that works to preserve and restore endangered and forgotten cemeteries. This amendment would not require that an exemption claim be filed to receive the cemetery exclusion for pre-1900 cemeteries where a legal authority is unknown and cannot be determined. If a cemetery authority is known, the postcard provisions of Section 256.6 would instead apply. This bill would also allow the cancellation of taxes on such cemeteries to address future sales of historic cemeteries for tax default where the property is eligible for exemption from property tax except that the annual claim form was not filed.
3. **This Bill Creates a Board Prescribed Form.** This bill would require the Board to prescribe the notice sent with the postcard to explain the circumstances under which the property would be disqualified from receiving the cemetery exemption.
4. **Failure to Return the Postcard Would Not Automatically Result in the Loss of the Exemption.** Instead the assessor could inspect the property to verify it was still being used as a non-profit cemetery. This provision may assist certain situations, such as historical and pioneer cemeteries in which ownership of the cemetery is unknown or is in dispute, and no one is available to file an exemption claim on the property. Situations have occurred where these cemeteries have been subsequently sold for tax delinquency.

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Notice of Proposed Escape Assessments - Specific Contact Information
Revenue and Taxation Code Section 531.8

Current Law

Existing law requires that a "Notice of Proposed Escape Assessment" include the name and telephone number of a person at the assessor's office who is knowledgeable with respect to the proposed escape assessment or assessments and may be contacted with any questions with respect to the proposed assessment or assessments.

Proposed Law

This bill would amend Section 531.8 of the Revenue and Taxation Code to delete the requirement that a specific person's name be listed on notice.

Comments

The sponsors note that it is costly to program the computer systems to customize each Notice of Proposed Escape Assessment to list the specific name of a person rather than a more general-purpose notice.

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Escape Assessments - Notation on Roll
Revenue and Taxation Code Section 533

Current Law

Existing law requires that escape assessments enrolled on the current assessment roll include a notation which reads "Escaped assessment for year 19_ pursuant to Sections ____ of the Revenue and Taxation Code" when the escape assessment is for another assessment year other than the current year.

The assessment roll generally lists the assessed value of all property located in the county for a particular fiscal year. Revenue and Taxation Code Section 1602 requires that the assessment roll, or a copy thereof, be made available for inspection by all interested parties during regular office hours. Sections 109.5 and 109.6 provide that the data included in the assessment roll may be electronically maintained so that no physical document need be prepared. But the data must be stored in a manner that can be made readily available to the public in an understandable form.

Proposed Law

This bill would amend Section 533 of the Revenue and Taxation Code to provide that the specified notation be made either on the hard copy of the roll or in an electronic format.

Comments

Under the current method of electronic assessment rolls, it is not practical to implement Section 533 on the assessment roll itself which is basically a requirement intended for a physical paper format.

Interested parties can determine from other electronic sources maintained by the assessor and available at the assessor's office regarding any escape assessments.

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County Boards of Equalization*Revenue and Taxation Code Section 1610.8***Current Law**

Section 1610.8 provides that the county board of equalization provide notice to property owners after certain activities including "canceling assessments of any property not subject to taxation."

Proposed Law

This bill would modify this language to instead read "canceling improper assessments."

Comment

SB 1063 (Chapter 199 of the Statutes of 2003) repealed Section 1613 and moved the substance of its provisions into Section 1610.8. However the substitute language in Section 1610.8 is broader than the prior language of Section 1613. Former Section 1613(c) provided that the board: "Make and enter new assessments, *at the same time canceling previous entries*, when any assessment made by him is deemed by the county board so incomplete as to render doubtful the collection of the tax." The replacement language in Section 1610.8, however, provides for the cancellation "of any property not subject to taxation." This bill would modify the language to instead refer to the cancellation of "improper assessments" to better reflect the county board of equalizations authority over such actions.

COST ESTIMATE

The Board would incur some minor absorbable costs in informing and advising local county assessors, the public, and staff of the law changes and creating new prescribed forms.

REVENUE ESTIMATE

This measure does not have any revenue impact.

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